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Norway

Retail Food Sector

Report

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Report Highlights: The restructuring of the Norwegian retail food sector continues as pan-Nordic mergers and cooperative agreements seek to achieve greater efficiencies and economies of scale to fend off other European competitors.

Includes PSD changes: No
Includes Trade Matrix: No
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Section I. Market Summary

- ' Total grocery retail market turnover in Norway in 2001 reached Norwegian Kroner 125 billion (US\$ 13.9 billion).
- ' Sales growth in 2001 was 5.6 percent compared with 2.8 percent in 2000.
- ' Total imports of agricultural products by Norway in 2001 reached US\$ 2.6 billion, of which about 50 percent was consumer-oriented high-value products.
- ' The U.S. share of Norway's agricultural imports in 2001 amounted to US\$ 137 million, about 5.3 percent of Norway's total agricultural imports.
- ' 81 percent of retail food products are sold by the grocery retail chains, 16 percent by gas stations and kiosks and 3 percent by speciality stores.
- ' In 2001, Norway had 4,308 grocery stores and 5,000 gas stations and kiosks.
- ' Four retail chains control 99 percent of the retail stores and also dominate grocery sales to gas stations and kiosks.
- ' The Norwegian retail store capacity and infrastructure can serve as many as 7 to 8 million people, although the Norwegian population is only 4.5 million.
- ' All four Norwegian retail chains are involved in the grocery trade in other Nordic countries and have established relationships with other Nordic chains through mergers or cooperative agreements to strengthen their competitiveness.
- ' As of July 1, 2001, Norway reduced its value-added tax (VAT) on food outside of restaurants from 23 percent to 12 percent. However, it increased the ordinary VAT to 24 percent.
- ' The private label market in Norway accounts for about 11 percent of the total grocery market.

Advantages	Challenges
The United States is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private labels.	Norwegians regulations and attitudes concerning products with bio-engineered ingredients are prohibitive.
U.S. products have a reputation of being of high quality, and the current low exchange rate can enhance sales opportunities.	Lack of promotion and marketing activities in Norway by U.S. suppliers is handicapping their potential sales.
The United States is associated with new-to-market products.	Strong competition from European suppliers.
Mergers of the Nordic chains should bring higher sales volumes to U.S. suppliers that are established in this market.	
Products that previously enjoyed access to only one of the Nordic markets, or had only small market share, could potentially increase market exposure throughout all Nordic countries via the new region-wide chain agreements.	Norway remains a highly protected market, through tariff and non-tariff barriers, for products which can be produced in Norway.

Section II. Road map for market entry.

A. Grocery Stores (supermarkets, small supermarkets and discount stores)

Entry Strategy

The Norwegian retail market is totally dominated by four retail chains (Norgesgruppen A/S, Hakon-Gruppen A/S, COOP Norge and Rema 1000 Norge) which control 99 percent of the market. All these chains are either owned by, or own their own wholesaler, both in grocery products as well as fruit and vegetables. Breaking into sales to these companies can be difficult for small and medium-sized companies without local representation. All the above chains want imported products delivered to their stores with the same convenience and reliability that domestic suppliers provide. New-to-market exporters need to find an importer, wholesaler or agent to assist them with product clearances.

New-to-market exporters should:

- ÿ Conduct early market research to assess product potential.
- ÿ Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- ÿ A personal visit is not only advisable, but necessary, to build relationships with potential customers.
- ÿ Discuss market strategies and delivery capacity with the importer. Reliability of supply is crucial in this market.

Nordic mergers

Since the Norwegian retail group, Hakon-Gruppen A/S merged with Sweden's ICA, and subsequently with the Netherlands' Ahold over the past three years, the other major retail groups have followed suit. COOP Norge, the consumer-owned cooperative retail chain has merged with its counterparts in Sweden (KF) and Denmark (FDB) to form COOP Norden. The leading Norwegian retail group, Norgesgruppen A/S is cooperating with Axfood of Sweden and Dagrofa of Denmark. Although these companies continue to purchase imported products through joint purchasing groups such as NAF (Coop) and United Nordic (Norgesgruppen), the mergers should create new opportunities for U.S. products. Not only will the merged entities be seeking new products to attract consumers, but they will also be looking for economies of scale. Additionally, U.S. suppliers who provide private label packaging could stand to benefit as these Nordic companies coordinate purchases for their own region-wide brands. For branded products, the expectation is that more contracting will be done on a region-wide basis. According to a statement from the largest retail group, Norgesgruppen, Norwegian retailers pay an average of 20 percent more for branded products than their European counterparts. This price differential is expected to decrease for imported goods as Norwegian retailers use their increased bulk buying power to leverage lower prices from suppliers.

The German retail group LIDL, already established in Sweden and Finland as a discount store chain is expected to open its first stores in Norway in 2003.

Distribution systems - consumer-ready food products

In 2001, Norway had 4,308 grocery stores with a turnover of NOK 106 billion (US\$ 11.8 billion). Generally, grocery stores account for 81 percent of retail food sales including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. Specialty stores such as bakeries, meat and candy shops account for the remaining 19 percent. In 2001, about 45 percent of Norwegian food distribution to retailers was handled by the following four large wholesale enterprises:

Company	Address	Phone/Fax
Joh. Johannson	Nedre Kalbakkvei 22 P.O.Box 130 Sentrum N-0102 Oslo Norway	Phone: (47) 22 16 90 00 Fax: (47) 22 16 90 10
COOP NORGE	Østre Aker vei 264 N-0977 Oslo Norway	Phone: (47) 22 89 95 95 Fax: (47) 22 89 97 45
Hakon Distribusjon A/S	Solheimveien 3 P.O.Box 37 1471 Skårer Norway	Phone: (47) 67 97 35 00 Fax: (47) 67 90 67 97
Rema 1000 Sofiemyr	Sønsterudveien 32 1412 Oppegård Norway	Phone: (47) 66 80 02 28 Fax: (47) 66 80 02 17

Norwegian grocery retail chains and market shares

The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, control the distribution of products from producers to consumers. Norgesgruppen AS is more of a buying group, and marketing is done individually by the different smaller chains it supplies. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. Listed below are market shares and number of stores at the beginning of 2002.

Chain	Phone and fax	Number of stores	Market shares in percent
Norgesgruppen AS Parkveien 61 P.O.Box 2775 Solli N-1007 Oslo	Phone:(47) 24 11 31 00 Fax: (47) 24 11 31 01	1,853	33.9
Hakon-Gruppen A/S Sinsenveien 47C P.O.Box 6500 Rodeløkka N-0501 Oslo	Phone: (47) 23 05 50 00 Fax: (47) 23 05 50 01	1,095	24.5
Coop Norge Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo	Phone: (47) 22 89 95 95 Fax : (47) 22 89 97 45	978	24.3
Rema 1000 Norge AS Grenseveien 88 P.O.Box 6428 Etterstad N-0605 Oslo	Phone: (47) 24 09 85 00 Fax : (47) 24 09 85 49	340	16.5
Others		42	0.8
Total		4,308	100.0

B. Gas marts and convenience kiosks

Entry Strategy

New-to-market exporters should bear in mind that although there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, the gas marts and kiosks have their own organizations for buying and marketing. Close and personal contact with an importer and/or with the buyers of these organizations is also necessary in this sector, as well as for the larger chains, to achieve a good result. Main players include the largest gas stations (Esso, Statoil, Shell and Hydro/Texaco) and kiosks (Mix, Narvesen, Gyda and Small Shops (7-Eleven)). These stores specialize in basic grocery products and their consumers are not as price sensitive, therefore there is greater receptivity to convenience foods and impulse-buy products.

Advice to new-to-market exporters:

- ÿ Unless you have a unique product, you should consider approaching only one of the players at a time, as all are looking for products which their competitors do not have.
- ÿ Get an overview of your competitors in the market and have a clear opinion of what your price would be in this market, including duties and logistics.

Company profiles

Gas marts make up 58 percent and kiosks 42 percent of a combined US\$ 1.7 billion turnover of grocery products at these two types of outlets. However, turnover in gas marts and kiosks has stagnated in the past two years as grocery stores have extended their evening and weekend hours.

GAS Marts

Gas chains	Phone and fax	Number of outlets	Market share in percent
Statoil Detaljhandel AS Sørkedalsveien 8 P.O.Box 1176 Sentrum N-0107 Oslo	Phone:(47) 22 96 20 00 Fax: (47) 22 96 29 70	450	28.0
Norske Shell P.O.Box 1154 Sentrum N-0107 Oslo	Phone:(47) 22 66 50 00 Fax: (47) 22 66 51 97	630	29.2
Esso Norge AS Drammensveien 149 P.O.Box 350 Skøyen N-0212 Oslo	Phone:(47) 22 66 30 30 Fax: (47) 22 66 34 55	370	23.2
Hydro Texaco AS Drammensveien 134 N-0212 Oslo	Phone:(47) 22 12 40 00 Fax: (47) 22 12 40 60	330	19.5

Kiosks (convenience stores)

Kiosk chains	Phone and fax	Number of stores	Market share in percent
Mix Butikkene BA Haavard Martinsensvei 34 N-0978 Oslo	Phone:(47) 22 79 08 00 Fax: (47) 22 79 08 01	1,009	43.2
Narvesen Norge Bertrand Narvesensvei 2 P.O.Box 6125 Etterstad N-0978 Oslo	Phone:(47) 22 57 30 10 Fax: (47) 22 57 17 58	426	30.5
Gyda Butikkene BA P.O.Box 153 Kjelsås N-0411 Oslo	Phone:(47) 22 02 64 60 Fax: (47) 22 02 64 70	350	11.2
Butikkringen Östlandet P.O.Box 126 Ökern N-0519 Oslo	Phone:(47) 22 64 68 98 Fax: (47) 22 65 37 51	289	4.2
Small Shops Norge Vitaminveien 11A P.O.Box 11 Grefsen N-0409 Oslo	Phone:(47) 23 39 57 11 Fax : (47) 22 71 19 70	65	10.6

Section III. Competition

Market trends

When fish is excluded, Norway is a net importer of agricultural products. In 2001, imports totaled \$2.57 billion and exports roughly \$665 million. About half of Norway's imports of agricultural products consist of consumer-oriented high-value products. Most of these come from the horticultural and tropical products group. Major imports are fresh fruits (oranges, bananas, apples and grapes), dry edible nuts, fruit and vegetable juices, fresh vegetables, snacks, chocolate and chocolate products, wines, pet food, live plants, cut flowers and foliage.

The U.S. share of Norway's agricultural trade in CY 2001 stood at 5.3 percent (US\$ 137 million) of Norway's imports. The bulk of U.S. exports to Norway consisted of wheat, leaf tobacco, processed fruit and vegetables, fresh fruits, nuts, wine and beer.

Section IV. Best product prospects

The best prospects in the retail food sector in Norway are for products not produced in the country or those containing ingredients not produced in the country. High tariffs and significant documentation and controls present obstacles to competition with domestic products.

A. The best market prospects in Norway include rice, tropical fruits-- both fresh and canned -- fresh vegetables, and a full range of consumer-oriented high value products such as snack foods, processed fruit and vegetables, fruit and vegetable juices, tree nuts, pet foods, wine and beer.

The U.S. market share is largest in the dried fruit and nut sector, where the U.S. has captured about 70 percent of imports. Raisins and prunes dominate dried fruit imports from the U.S. and almonds, peanuts and walnuts dominate the nut imports. Sales of U.S. rice have also been strong, with an achieved market share of about 17.5 percent. U.S. dog and cat food products have a market share of about 7.5 percent. Of processed vegetables, U.S. canned corn is the most popular with a market share of more than 60 percent.

B. Too little attention has been paid to the Norwegian fresh fruit and vegetable market in the past few years. The U.S. has lost market share, primarily due to insufficient marketing and lack of market presence. Shipping terms and the lack of personal contact between U.S. exporters and their Norwegian customers are principal reasons given by Norwegian importers as to why U.S. export business in this category has declined.

C. A number of products face high tariff barriers in the Norwegian market. This is particularly true of products containing meat, fruits, vegetables and dairy products that compete directly with domestically produced Norwegian products. In addition, Norway has a ban on hormone-treated meat and Norwegian regulations and attitudes concerning bio-engineered products and product ingredients are prohibitive. Should the market open, Norway will require import approval by the below mentioned authorities, and labeling of such products.

Section V. Further information and post contact

Important contact information

Norwegian Food Control Authority (SNT)
Ullevålsveien 76
P.O.Box 8187 Dep.
N-0034 Oslo
Norway
Phone: (47) 23 21 70 00
Fax : (47) 22 21 70 01

The above state agency is in charge of product approval, labeling, additives, and administration of food safety regulations, for imported and domestic products. It primarily serves Norwegian importers rather than foreign exporters.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)
Dep. Trade and Industry
P.O.Box 8140 Dep.
N-0033 Oslo
Norway
Phone: (47) 24 13 10 00
Fax : (47) 24 13 10 05

The above state-owned agency handles customs duties for industrially processed agricultural products, based on product ingredients reported by the importer. It also handles the administrative functions related to import/supply needs of the country, as well as the auction on quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or an importer would be the best means of contact.

For general questions about exporting to Norway, please contact:

American Embassy Oslo
Foreign Agricultural Service
Asle Eek Johansen, Agricultural Specialist
Drammensveien 18
N-0244 Oslo
Phone: (47) 21 30 86 21
Fax: (47) 22 44 94 25
Email: us-agric@online.no
or johansenA@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service homepage: www.fas.usda.gov
and the FAS/Stockholm regional headquarter office at www.usemb.se/Agriculture